

Message Text

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. FOLLOWING IS UPDATED STATEMENT ON FOREIGN INVESTMENT CLIMATE IN TRINIDAD AND TOBAGO. (PARAGRAPHS ARE NUMBERED ONLY FOR TELEGRAPHIC CLARITY AND NUMBERS SHOULD BE REMOVED WHEN STATEMENT IS TYPED.)

2. THE GOVERNMENT OF TRINIDAD AND TOBAGO WELCOMES FOREIGN PRIVATE INVESTMENT, BUT HAS MADE IT CLEAR THAT THERE MUST BE "MEANINGFUL LOCAL PARTICIPATION" IN ALL MAJOR PROJECTS. TO ENSURE EFFECTIVE LOCAL PARTICIPATION IN KEY SECTORS OF THE ECONOMY (SUCH AS BANKING, INSURANCE AND PETROLEUM), THE GOVERNMENT HAS URGED EXISTING FOREIGN INVESTORS TO INCORPORATE LOCALLY AND SELL EQUITY SHARES TO TRINIDADIAN, HAS PURCHASED OUTRIGHT SOME FOREIGN INVESTORS' HOLDINGS, AND IS ALSO NEGOTIATING TO PURCHASE PARTICIPATION IN OTHER MAJOR EXISTING INVESTMENTS. TO ENCOURAGE LOCAL ENTREPRENEURS, OTHER SECTORS OF THE ECONOMY (SUCH AS DIS-
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TRIBUTION, COMMUNICATIONS MEDIA AND COMMERCIAL BANKING)

HAVE BEEN RESERVED FOR LOCAL INVESTORS AND NO NEW FOREIGN INVESTMENTS WILL BE PERMITTED IN THESE AREAS. THE GOVERNMENT IS SEEKING NEW FOREIGN INVESTMENT ON A JOINT-VENTURE BASIS IN A WIDE RANGE OF INDUSTRIES RELATED TO UTILIZATION OF TRINIDAD'S RESERVES OF CRUDE OIL AND NATURAL GAS. THUS FAR ALL JOINT VENTURES ACTUALLY ESTABLISHED HAVE BEEN ON THE BASIS OF MAJORITY GOVERNMENT CONTROL. ALL TAKEOVERS OF EXISTING INVESTMENTS BY THE GOVERNMENT HAVE BEEN ON A NEGOTIATED BASIS, AND THERE HAVE BEEN NO INSTANCES OF EXPROPRIATION OR DISPUTED NATIONALIZATION.

3. BUOYED BY EARNINGS FROM CRUDE PETROLEUM PRODUCTION, TRINIDAD HAS AN ESTIMATED CURRENT-PRICE GROSS NATIONAL PRODUCT OF \$1.5 BILLION AND A RELATIVELY-WELL-DISTRIBUTED GNP PER CAPITA IN EXCESS OF \$1,300. UNEMPLOYMENT (OFFICIALLY 17 PERCENT) AND PRICE INFLATION (22 PERCENT IN 1974) ARE VERY HIGH, HOWEVER, WHICH IS WHY THE GOVERNMENT IS SEEKING ECONOMIC DEVELOPMENT THROUGH MAJOR NEW INDUSTRIAL INVESTMENT. WHILE ENERGY-RELATED INDUSTRIES TEND TO BE CAPITAL-INTENSIVE, THE GOVERNMENT HOPES TO CREATE SUBSTANTIAL NEW EMPLOYMENT IN "SPIN-OFF" INDUSTRIES AND THE SERVICES SECTOR. TRINIDAD OFFERS A NUMBER OF INCENTIVES FOR NEW INVESTMENT (PRIMARILY IN LABOR-INTENSIVE INDUSTRIES), SUCH AS CUSTOMS EXEMPTIONS, TAX HOLIDAYS, ACCELERATED DEPRECIATION ALLOANCES AND EXPORT BONUSES. TRINIDAD IS A FOUNDING MEMBER OF THE CARIBBEAN COMMUNITY, WHICH INCLUDES A COMMON MARKET WITH A COMMON EXTERNAL TARIFF AND UNIFORM RULES ON FISCAL INCENTIVES FOR NEW INVESTMENTS.

4. POTENTIAL INVESTORS IN TRINIDAD AND TOBAGO SHOULD BE AWARE THAT THERE IS A WELL-ORGANIZED AND ACTIVE LABOR MOVEMENT, THAT THE GOVERNMENT ENFORCES A RESTRICTIVE WORK PERMIT POLICY FOR FOREIGNERS, THAT A TAX IS WITHHELD FROM ALL REMITTANCES OF PROFITS, DIVIDENDS, AND LOAN REPAYMENTS, AND THAT FOREIGN EXCHANGE TRANSACTIONS ARE CONTROLLED BY THE CENTRAL BANK. OPIC INSURANCE IS AVAILABLE TO AMERICAN INVESTORS (ALTHOUGH ONLY A FEW HAVE UTILIZED IT), AND THERE IS A DOUBLE TAXIATION TREATY UNCLASSIFIED

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IN FORCE BETWEEN THE UNITED STATES AND TRINIDAD.

5. THERE ARE NO OFFICIAL ESTIMATES OF FOREIGN PRIVATE INVESTMENT IN TRINIDAD AND TOBAGO. THE EMBASSY ESTIMATES TOTAL FOREIGN DIRECT INVESTMENT AT \$1.1 BILLION, DIVIDED ROUGHLY AS FOLLOWS U.S. -- \$750 MILLION; UNITED KINGDOM -- \$150 MILLION; CANADA -- \$75 MILLION; ALL OTHERS -- \$125 MILLION. U.S. DIRECT INVESTMENT BY

SECTOR ESTIMATED AS FOLLOWS: MINING AND SMELTING -- NONE;
PETROLEUM -- \$550 MILLION; MANUFACTURING -- \$100 MILLION;
ALL OTHER -- \$100 MILLION. DIRECT INVESTMENT IN THE
U.S. BY TRINIDADIAN IS NEGLIGIBLE.
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